

Annual Financial Report

For the year ended
30 June 2020

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Strathbogie Shire Council

Financial Report

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Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Upul Sathurusinghe CPA
Principal Accounting Officer

Date : <Date>
Euroa

In our opinion the accompanying financial statements present fairly the financial transactions of Strathbogie Shire Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Amanda McClaren
Councillor
Date : <Date>
Euroa

Robert 'Bob' Gardner
Councillor
Date : <Date>
Euroa

Julie Salomon
Chief Executive Officer

Euroa

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Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Rates and charges	3.1	19,824,720	19,077,636
Statutory fees and fines	3.2	401,657	537,718
User fees	3.3	663,298	802,550
Grants - operating	3.4	7,405,568	6,587,782
Grants - capital	3.4	4,174,796	6,129,548
Contributions - monetary	3.5	355,983	386,742
Contributions - non monetary	3.5	-	748,380
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	99,764	72,133
Share of net profits (or loss) of associates and joint ventures	6.3	8,714	-
Other income	3.7	474,943	711,670
Total income		33,409,443	35,054,159
Expenses			
Employee costs	4.1	(10,334,810)	(10,455,706)
Materials and services	4.2	(11,318,009)	(11,398,828)
Depreciation	4.3	(6,030,979)	(5,929,723)
Amortisation - intangible assets	4.4	(59,845)	-
Amortisation - right of use assets	4.5	(199,732)	-
Bad and doubtful debts	4.6	(50,233)	-
Borrowing costs	4.7	(25,783)	(36,015)
Share of net profits (or loss) of associates and joint ventures	6.3	-	(17,555)
Finance costs - leases	4.8	(21,467)	-
Other expenses	4.9	(505,109)	(817,424)
Total expenses		(28,545,967)	(28,655,251)
Surplus/(deficit) for the year		4,863,476	6,398,908
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	(17,565,870)	(2,655,794)
Total comprehensive result		(12,702,394)	3,743,114

The above comprehensive income statement should be read in conjunction with the accompanying notes.

Balance Sheet As at 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Current assets			
Cash and cash equivalents	5.1	2,873,672	10,616,477
Trade and other receivables	5.1	3,118,075	3,532,818
Other financial assets	5.1	13,704,764	-
Non-current assets classified as held for sale	6.1	690,384	273,000
Other assets	5.2	762,932	1,538,959
Total current assets		21,149,827	15,961,254
Non-current assets			
Trade and other receivables	5.1	57,513	83,325
Other financial assets	5.1	2,032	2,032
Investments in associates, joint arrangements and subsidiaries	6.3	227,146	218,432
Property, infrastructure, plant and equipment	6.2	280,818,279	292,152,621
Right-of-use assets	5.8	872,530	-
Intangible assets	5.2	106,703	-
Total non-current assets		282,084,203	292,456,410
Total assets		303,234,030	308,417,664
Liabilities			
Current liabilities			
Trade and other payables	5.3	2,154,303	3,089,020
Trust funds and deposits	5.3	381,474	685,487
Unearned income	5.3	1,441,712	-
Provisions	5.5	3,695,814	3,511,174
Interest-bearing liabilities	5.4	86,116	136,373
Lease liabilities	5.8	230,029	-
Total current liabilities		7,989,448	7,422,054
Non-current liabilities			
Trust funds and deposits	5.3	64,203	64,203
Provisions	5.5	4,752,639	4,812,215
Interest-bearing liabilities	5.4	282,425	368,541
Lease liabilities	5.8	652,421	-
Total non-current liabilities		5,751,688	5,244,959
Total liabilities		13,741,137	12,667,013
Net assets		289,492,893	295,750,651
Equity			
Accumulated surplus		98,252,685	93,389,208
Reserves	9.1	191,240,208	202,361,443
Total Equity		289,492,893	295,750,651

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity For the Year Ended 30 June 2020

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
2020					
Balance at beginning of the financial year		295,750,650	93,389,208	201,502,484	858,958
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	-	-	-	-
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	-	-	-	-
Impact of change in accounting policy - AASB 16 Leases	5.8	-	-	-	-
Adjusted Opening balance		295,750,650	93,389,208	201,502,484	858,958
Surplus/(deficit) for the year		4,863,476	4,863,476	-	-
Net asset revaluation increment/(decrement)	6.2	(17,565,870)	-	(17,565,870)	-
Assets recognised first time	6.2	6,444,636	-	6,444,636	-
		289,492,892	98,252,684	190,381,250	858,958
Balance at end of the financial year		289,492,892	98,252,684	190,381,250	858,958

		Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
2019					
Balance at beginning of the financial year		292,007,536	86,990,300	204,158,278	858,958
Surplus/(deficit) for the year		6,398,908	6,398,908	-	-
Net asset revaluation increment/(decrement)	6.2	(2,655,794)	-	(2,655,794)	-
Balance at end of the financial year		295,750,650	93,389,208	201,502,484	858,958

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows For the Year Ended 30 June 2020

		2020 Inflows/ (Outflows) \$	2019 Inflows/ (Outflows) \$
	Note		
Cash flows from operating activities			
Rates and charges		19,149,820	18,789,132
Statutory fees and fines		401,657	537,718
User fees		527,310	802,550
Grants - operating		9,091,084	4,434,221
Grants - capital		5,595,329	6,109,464
Contributions - monetary		359,165	370,242
Interest received		179,278	228,732
Dividends received		-	586
Trust funds and deposits taken		1,703,481	1,863,597
Other receipts		459,685	168,489
Net GST refund/payment		1,781,544	2,355,628
Employee costs		(10,209,745)	(10,167,224)
Materials and services		(13,843,090)	(13,211,326)
Trust funds and deposits repaid		(1,985,486)	(1,949,546)
Other payments		(334,169)	(366,032)
Net cash provided by/(used in) operating activities		12,875,863	9,966,232
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(6,770,973)	(13,789,970)
Payments for intangible assets	5.2 (b)	(31,629)	-
Proceeds from sale of property, infrastructure, plant and equipment		262,134	584,157
Payments for investments - Other Financial Assets		(13,704,764)	-
Net cash provided by/(used in) investing activities		(20,245,232)	(13,205,813)
Cash flows from financing activities			
Finance costs		(25,783)	(36,015)
Repayment of borrowings		(136,373)	(185,720)
Repayment of lease liabilities		(211,279)	-
Net cash provided by/(used in) financing activities		(373,435)	(221,735)
Net increase (decrease) in cash and cash equivalents		(7,742,804)	(3,461,316)
Cash and cash equivalents at the beginning of the financial year		10,616,477	14,077,793
Cash and cash equivalents at the end of the financial year		2,873,672	10,616,477
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

The above statement of cash flows should be read in conjunction with the accompanying notes.

**Statement of Capital Works
For the Year Ended 30 June 2020**

	Note	2020 \$	2019 \$
Property			
Buildings		1,104,510	1,033,441
Total property		1,104,510	1,033,441
 Plant and equipment			
Plant, machinery and equipment		353,183	659,068
Fixtures, fittings and furniture		223,985	214,849
Intangible Assets		31,629	-
Total plant and equipment		608,796	873,917
 Infrastructure			
Roads		3,219,159	8,375,415
Bridges and culverts		206,434	1,852,102
Footpaths and cycleways		317,817	133,716
Drainage		132,183	747,652
Parks, open space and streetscapes		1,213,703	803,727
Total infrastructure		5,089,297	11,912,612
 Total capital works expenditure		6,802,602	13,819,970
 Represented by:			
New asset expenditure		340,246	2,242,729
Asset renewal expenditure		4,863,710	8,725,654
Asset expansion expenditure		-	37,856
Asset upgrade expenditure		1,598,646	2,783,731
Total capital works expenditure		6,802,602	13,789,970

The above statement of capital works should be read in conjunction with the accompanying notes.

OVERVIEW

Introduction

The Strathbogie Shire Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate. The Council's main office is located at the corner of Binney and Bury Streets, Euroa, Victoria 3666.

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

(b) COVID 19

On 30 January 2020, COVID 19 was declared as a global pandemic by world health organisation. Since then, various measures were taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted council operations in the following areas for the financial year ended 30 June 2020:

- In response to significant decrease in demand / government directive amidst the COVID-19 outbreak, the libraries and community centres were closed. These closures resulted in a decrease in the council user fee revenue less than \$50,000.
- Council activated its hardship policy in response to this crisis on 1/05/ 2020. Take up has been minimal (<\$10,000) with an increased number of ratepayers entering into repayment arrangements.
- Council extended the payment date for the 4th instalment until 30 June 2020 and in July payments of approx. \$150,000 more than in July 2019 were received, meaning a net increase in rate debtors of approx. \$550,000.
- Financial impact till date from deferral of rates revenue/ interest free period is \$10,000. This has also resulted in the debtor balance as at 30 June 2020 to increase by \$709,000 compared to last year.

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

1.1 Income and expenditure

	Budget 2020 \$	Actual 2020 \$	Variance 2020 \$	Variance 2020 %	Ref
Income					
Rates and charges	19,844,000	19,824,720	(19,280)	0%	
Statutory fees and fines	530,000	401,657	(128,343)	-24%	1
User fees	771,000	663,298	(107,702)	-14%	2
Grants - operating	3,316,000	7,405,568	4,089,568	123%	3
Grants - capital	4,334,000	4,174,796	(159,204)	-4%	4
Contributions - monetary	373,000	355,983	(17,017)	-5%	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(500,000)	99,764	599,764	-120%	5
Share of net profits/(losses) of associates and joint ventures	-	8,714	8,714	0%	
Other income	416,000	474,943	58,943	14%	6
Total income	29,084,000	33,409,443	4,325,443	15%	
Expenses					
Employee costs	10,483,000	10,334,810	148,190	1%	7
Materials and services	11,488,000	11,318,009	169,991	1%	8
Depreciation	5,900,000	6,030,979	(130,979)	-2%	9
Amortisation - Intangible assets	-	59,845	(59,845)	0%	
Amortisation - Right of use assets	-	199,732	(199,732)	0%	10
Bad and doubtful debts	-	50,233	(50,233)	0%	
Borrowing costs	23,000	25,783	(2,783)	-12%	11
Finance costs - Leases	-	21,467	(21,467)	0%	
Other expenses	300,000	505,109	(205,109)	-68%	12
Total expenses	28,194,000	28,545,967	(351,967)	-1%	
Surplus/(deficit) for the year	890,000	4,863,476	4,677,410	526%	

(i) Explanation of material variations

1	Statutory fees and fines	Reduction in animal registration (\$26K), building fee (\$29K), written off health registration due to COVID-19 (\$62K) and subdivision fees (\$12K)
2	User fees	Reduction in fees due to less economic activities from COVID-19 impact. Some reductions are cinema (\$9K), saleyard (\$23k) and miscellaneous (\$155K).
3	Grants - operating	Increase due to early payment of 50% Grants Commission 2020/21 allocation (\$2.8 million); unbudgeted grants 'Working for Victoria' (\$752K) and storm event grant accrual (\$379K).
4	Grants - capital	Additional grants of R2R (\$720K), unbudgeted drought relief grants (\$900K) less unearned grant income (\$1,165K).
5	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Budgeted fleet replacement program has been delayed until 2020/21 financial year.
6	Other income	Miscellaneous income increase (\$39K), insurance recoveries (\$22K) and rent income (\$13K)
7	Employee costs	Savings due to vacancies during the year.
8	Materials and services	Unbudgeted emergency management (\$434K), savings in building maintenance (\$330K), general maintenance (\$376K) and consulting (\$236K).
9	Depreciation	Change in assets value after revaluation of buildings and recognition of heritage assets.
10	Amortisation - Right of use assets	Recognition of new expense under new accounting standard.
11	Borrowing costs	Minor variance due to lower interest expense in the budget.
12	Other expenses	Increased audit expenditure (\$22K) and other minor variations.

1.2 Capital works

	Budget 2020 \$	Actual 2020 \$	Variance \$	Variance %	Ref
Property					
Buildings	2,027,000	1,104,510	(922,490)	-46%	1
Total property	2,027,000	1,104,510	(922,490)	-46%	
Plant and equipment					
Plant, machinery and equipment	1,100,000	353,183	(746,817)	-68%	2
Fixtures, fittings and furniture	505,000	223,985	(281,016)	-56%	3
Intangible Assets	-	31,629	31,629	0%	
Total plant and equipment	1,605,000	608,796	(996,204)	-62%	
Infrastructure					
Roads	7,017,000	3,219,159	(3,797,841)	-54%	4
Bridges	954,000	206,434	(747,566)	-78%	5
Footpaths and cycleways	274,000	317,817	43,817	16%	6
Drainage	907,000	132,183	(774,817)	-85%	7
Parks, open space and streetscapes	1,871,000	1,213,703	(657,297)	-35%	8
Total infrastructure	11,023,000	5,089,297	(5,933,703)	-54%	
Total capital works expenditure	14,655,000	6,802,602	(7,852,398)	-54%	
Represented by:					
New asset expenditure	733,000	340,246	(392,754)	-54%	
Asset renewal expenditure	10,478,000	4,863,710	(5,614,290)	-54%	
Asset upgrade expenditure	3,444,000	1,598,646	(1,845,354)	-54%	
Total capital works expenditure	14,655,000	6,802,602	(7,852,398)	-54%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Carried forward projects Nagambie High Street Toilets (\$362K), Euroa RSL Clubroom Expansion (\$148K) and other projects (\$541K) which partly offset by overspent in some projects.
2	Plant, machinery and equipment	Fleet replacement delayed to 2020/21 (\$500K).
3	Fixtures, fittings and furniture	Carry forward Euroa theatre seating (\$60K), IT replacement (\$199K).
4	Roads	Projects carry forward to next year due to project delays which include road rehabilitation (\$2.5m), roads zero class program (\$307Kk) and other road projects (\$607K).
5	Bridges	Carry forward bridges (\$63K) and unbudgeted Moormbool road (\$110K)
6	Footpaths and cycleways	Unbudgeted projects from drought funding (\$114K).
7	Drainage	Carry forward projects (\$591K).
8	Parks, open space and streetscapes	Carry forward Nagambie active open space (\$416K), Nagambie rec. reserve (\$250K).

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Community & Planning

Community & Planning provides high quality community focused programs. Service areas include maternal and child health, youth, seniors, community grants, arts and culture, tourism and economic development programs. It also includes strategic and statutory land use planning.

Corporate Leadership

Corporate Leadership provides effective governance, policy development, communication and human resources.

Corporate Operations

Corporate Operations provides strategic and financial management of the organisation. Service areas include regulatory services, local laws, financial management, emergency management, assets management, operations and emergency management.

Mayor & Councillors

Mayor & Councillors provides services for mayor and elected members.

2 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus / (Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2020					
Community & Planning	2,119,604	(4,391,647)	(2,272,043)	1,636,548	46,650,962
Corporate Leadership	26,081	(2,273,961)	(2,247,880)	-	24,155,509
Corporate Operations	31,257,163	(21,570,860)	9,686,303	9,943,816	229,139,857
Mayor & Councillors	6,595	(309,499)	(302,904)	-	3,287,702
	33,409,443	(28,545,967)	4,863,476	11,580,364	303,234,030

	Income	Expenses	Surplus / (Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2019					
Community & Planning	6,289,656	(5,243,401)	1,046,255	5,571,814	64,321,760
Corporate Leadership	96,144	(2,049,727)	(1,953,583)	-	25,144,377
Corporate Operations	25,152,026	(17,502,713)	7,649,313	7,145,516	214,644,629
Mayor & Councillors	4,015	(351,091)	(347,076)	-	4,306,898
	31,541,841	(25,146,932)	6,394,909	12,717,330	308,417,664

Note: Council has done an organisation restructure during 2019/20 financial year. Comparatives has been adjusted to reflect the new organisation structure.

Note 3	Funding for the delivery of our services	2020	2019
3.1	Rates and charges	\$	\$

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the valuation of the land and all improvements on the land.

The valuation base used to calculate general rates for 2019/20 was \$3.514 million (2018/19 \$3.270 million).

General rates	16,220,930	14,679,052
Municipal charge	913,057	1,808,780
Waste management charge	2,689,797	2,542,519
Special rates and charges	936	47,285
Total rates and charges	19,824,720	19,077,636

The date of the latest general revaluation of land for rating purposes within the municipal district was 01 January 2020, and the valuation will be first applied in the rating year commencing 01 July 2020.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

3.2 Statutory fees and fines

Building fees	66,113	80,310
Planning fees	217,164	248,395
Health registrations	14,212	69,792
Animal registrations	83,824	96,529
Land information certificates	16,983	18,204
Fire Prevention Notice Infringements	3,361	24,488
Total statutory fees and fines	401,657	537,718

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

3.3 User fees

Tip fees	148,373	122,972
Nagambie Lakes events	20,320	35,239
Saleyard operations revenue	231,965	293,117
Swimming pools revenue	10,193	23,432
Rent/lease Charges	93,337	90,573
Euroa Cinema	54,520	72,131
Septic tank fees	14,787	14,101
Other user charges and contributions	89,803	150,985
Total user fees	663,298	802,550
User fees by timing of revenue recognition		
User fees recognised at a point in time	663,298	802,550
Total user fees	663,298	802,550

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	8,659,624	6,640,613
State funded grants	2,920,741	6,076,717
Total grants received	11,580,365	12,717,330

	2020	2019
	\$	\$
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	5,592,672	5,717,136
Senior Citizens Grants	2,600	2,600
<i>Recurrent - State Government</i>		
Maternal & Child Health	196,893	164,940
Community Safety	9,763	40,146
Youth	94,167	91,667
Pests and Plants Program	60,231	58,364
Municipal Emergency Resource Programme	60,000	60,000
Supported Playgroup	34,981	75,387
Vulnerable Persons Register	17,947	17,691
Boat Ramp Maintenance	8,500	-
School Crossing Supervision	24,696	-
Other	4,960	-
Total recurrent operating grants	6,107,410	6,227,931
<i>Non-recurrent - Commonwealth Government</i>		
Environmental planning	5,000	-
<i>Non-recurrent - State Government</i>		
Revaluation Assistance	-	29,927
LGA Small Scale Infrastructure Grant	10,395	12,455
Recreation-Non Capital	-	15,000
Southern Aurora Commemoration	-	150,000
Recycling - Non-recurrent	-	11,140
Local Government Energy Saver Grants - Operating	-	23,908
Free From Violence Project	-	69,941
Carbon Crunching Grant	-	32,480
Vic Health Walk To School	-	15,000
Emergency & Disaster Management	378,861	-
Working for Victoria	751,631	-
Planning and Business Case	59,271	-
Greening Euroa	-	-
Creative Victoria-Youth	25,000	-
Water/Waterways Management	28,000	-
Rural Council Victoria Summit	40,000	-
Total non-recurrent operating grants	1,298,158	359,851
Total operating grants	7,405,568	6,587,782

	2020	2019
	\$	\$
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	2,159,352	920,877
Total recurrent capital grants	2,159,352	920,877
Non-recurrent - Commonwealth Government		
Drought Funding	900,000	-
Non-recurrent - State Government		
Local Government Energy Saver Grants - Capital	-	50,000
Roads and Bridges	886,194	550,000
Buildings	175,000	103,834
Recreation	59,300	403,700
Footpaths	33,000	-
Pick My Project	9,950	81,409
Water Management	-	32,000
Other Flood Recovery Grants	18,720	123,084
Flood Event 12/2017-Capital *	(127,125)	3,864,644
Environment	60,406	-
Total non-recurrent capital grants	2,015,444	5,208,671
Total capital grants	4,174,796	6,129,548

(c) Unspent grants received on condition that they be spent in a specific manner

Operating		
Balance at start of year	30,000	399,696
Received during the financial year and remained unspent at balance date	273,582	30,000
Received in prior years and spent during the financial year	30,000	399,696
Balance at year end	273,582	30,000
Capital		
Balance at start of year	-	-
Received during the financial year and remained unspent at balance date	1,164,948	-
Received in prior years and spent during the financial year	-	-
Balance at year end	1,164,948	-

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

* Debit balance in grant income is due to reversal of excess income accrued in 2018/19 which include flood event grant \$112,125 and Southern Aurora Memorial Garden grant \$15,000.

3.5 Contributions

Monetary	355,983	386,742
Non-monetary	-	748,380
Total contributions	355,983	1,135,122

Contributions of non monetary assets were received in relation to the following asset classes.

Roads	-	174,189
Bridges	-	41,513
Land under roads	-	30,600
Footpaths	-	97,940
Drainage	-	383,388
Other	-	20,750
Total non-monetary contributions	-	748,380

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	262,134	584,157
Written down value of assets disposed	(162,370)	(512,024)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	99,764	72,133

The profit or loss on sale of an asset is determined when control of the asset has passed to the buyer.

	2020	2019
	\$	\$
3.7 Other income		
Interest	182,861	232,886
Interest on rates	101,606	112,078
Diesel rebate	64,318	65,830
Insurance recoveries	22,586	92,829
Parental Leave Reimbursement	-	10,071
Other	103,572	197,976
Total other income	474,943	711,670

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	8,981,108	9,086,602
WorkCover	173,593	203,259
Superannuation	828,063	815,758
Fringe benefits tax	134,925	175,489
Other	217,121	174,598
Total employee costs	10,334,810	10,455,706

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	61,144	74,084
Employer contributions - other funds	-	-
	61,144	74,084
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	422,704	377,456
Employer contributions - other funds	326,921	354,787
	749,625	732,243

Employer contributions payable at reporting date.	17,295	9,431
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Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Building maintenance	441,156	231,825
General maintenance	4,108,107	4,585,895
Utilities	267,025	383,019
Office administration	1,493,265	1,591,500
Information technology	687,652	627,637
Insurance	326,537	356,410
Consultants	1,235,190	1,355,922
Legal fees	134,774	122,530
Emergency Expense	434,399	-
Waste Management	2,189,904	2,144,090
Total materials and services	11,318,009	11,398,828

	2020	2019
	\$	\$
4.3 Depreciation		
Property	985,866	987,595
Plant and equipment	382,357	496,287
Furniture and Equipment	221,613	199,703
Infrastructure	4,441,143	4,246,138
Total depreciation	6,030,979	5,929,723
<i>Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i>		
4.4 Amortisation - Intangible assets		
Software	59,845	-
Total Amortisation - Intangible assets	59,845	-
4.5 Amortisation - Right of use assets		
Property	9,206	-
Plant and equipment	190,526	-
Total Amortisation - Right of use assets	199,732	-
4.6 Bad and doubtful debts		
Rates debtors	429	-
Other debtors	49,804	-
Total bad and doubtful debts	50,233	-
Movement in provisions for doubtful debts		
Balance at the beginning of the year	7,025	7,025
New provisions recognised during the year	28,806	-
Balance at end of year	35,831	7,025
Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.		
4.7 Borrowing costs		
Interest - Borrowings	25,783	36,015
Less capitalised borrowing costs on qualifying assets	-	-
Total borrowing costs	25,783	36,015
Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.		
4.8 Finance Costs - Leases		
Interest - Lease Liabilities	21,467	-
Total finance costs	21,467	-
4.9 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	48,400	35,000
Auditors' remuneration - Internal	50,890	88,857
Councillors' allowances	196,479	201,423
Other Councillor expenses	11,724	40,753
WDV of Infrastructure Assets Renewed	170,940	451,391
Election Expenses	26,676	-
Total other expenses	505,109	817,424

Note 5	Our financial position	2020	2019
5.1	Financial assets	\$	\$
	(a) Cash and cash equivalents		
	Cash on hand	1,827	2,770
	Cash at bank	1,621,845	2,408,995
	Term deposits	1,250,000	8,204,712
	Total cash and cash equivalents	2,873,672	10,616,477
	(b) Other financial assets		
	Share in MAV Purchasing Scheme	2,032	2,032
	Term deposits	13,704,764	-
	Total other financial assets	13,706,796	2,032
	Total financial assets	16,580,468	10,618,509

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3)	445,677	749,690
Total restricted funds	445,677	749,690
Total unrestricted cash and cash equivalents	2,427,995	9,866,787

Intended allocations

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Cash held to fund carried forward capital works	3,498,000	2,933,000
- Open space reserve	108,958	108,958
- Bridge replacement reserve	-	750,000
- Caravan Park (operating and capital expense)	73,289	-
Total funds subject to intended allocations	3,680,247	3,791,958

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

	2020 \$	2019 \$
(c) Trade and other receivables		
Current		
Rates debtors	2,134,307	1,433,595
Special rate assessment	9,184	-
Net GST Receivable	212,575	344,459
Other debtors	797,840	1,761,789
Provision for doubtful debts - other debtors	(35,831)	(7,025)
Total current trade and other receivables	<u>3,118,075</u>	<u>3,532,818</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	57,513	83,325
Total non-current trade and other receivables	<u>57,513</u>	<u>83,325</u>
Total trade and other receivables	<u>3,175,588</u>	<u>3,616,143</u>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

(d) Ageing of Receivables

The ageing of the Council's trade and other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	504,879	887,792
Past due by up to 30 days	2,454	25,555
Past due between 31 and 180 days	163,932	424,156
Past due between 181 and 365 days	43,255	352,557
Past due by more than 1 year	83,320	71,729
Total trade and other receivables	<u>797,840</u>	<u>1,761,789</u>

5.2 Non-financial assets	2020	2019
	\$	\$
(a) Other assets		
Prepayments	255,819	239,106
Accrued income	501,824	1,286,045
Inventories	5,289	13,808
Total other assets	762,932	1,538,959
(b) Intangible assets		
Software	106,703	-
Total intangible assets	106,703	-
	Software	Total
	\$	\$
Gross carrying amount		
Balance at 1 July 2019	888,419	888,419
Additions from internal developments	-	-
Other additions	31,629	31,629
Balance at 1 July 2020	920,048	920,048
Accumulated amortisation and impairment		
Balance at 1 July 2019	(753,499)	(753,499)
Amortisation expense	(59,845)	(59,845)
Balance at 1 July 2020	(813,344)	(813,344)
Net book value at 30 June 2019	134,920	134,920
Net book value at 30 June 2020	106,703	106,703
Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.		
5.3 Payables	2020	2019
	\$	\$
(a) Trade and other payables		
Trade payables	1,646,384	2,971,586
Accrued expenses	507,919	117,434
Total trade and other payables	2,154,303	3,089,020
(b) Trust funds and deposits		
Current		
Fire services levy	114,670	352,952
Retention amounts	133,432	178,103
Other refundable deposits	133,372	154,432
Total Current trust funds and deposits	381,474	685,487
Non-current		
Trust funds bequested	64,203	64,203
Total Non-Current trust funds and deposits	64,203	64,203
Total trust funds and deposits	445,677	749,690
(c) Unearned income		
Grants received in advance - Operating	273,582	-
Grants received in advance - Capital	1,164,948	-
Other	3,182	-
Total unearned income	1,441,712	-

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

5.4 Interest-bearing liabilities

	2020	2019
	\$	\$
Current		
Bank overdraft	-	-
Borrowings - secured	86,116	136,373
	86,116	136,373
Non-current		
Borrowings - secured	282,425	368,541
	282,425	368,541
Total	368,541	504,914

Borrowings are secured by (insert security details)

(a) The maturity profile for Council's borrowings is:

Not later than one year	86,116	136,373
Later than one year and not later than five years	282,425	368,541
Later than five years	-	-
	368,541	504,914

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

5.5 Provisions

	Employee	Landfill restoration	Total
	\$	\$	\$
2020			
Balance at beginning of the financial year	2,746,190	5,577,198	8,323,388
Additional provisions	1,030,226		1,030,226
Amounts used	(888,515)	-	(888,515)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(36,911)	20,265	(16,646)
Balance at the end of the financial year	2,850,990	5,597,463	8,448,453
2019			
Balance at beginning of the financial year	2,538,065	5,496,841	8,034,906
Additional provisions	1,065,143	257,281	1,322,424
Amounts used	(1,020,109)	-	(1,020,109)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	163,091	(176,924)	(13,833)
Balance at the end of the financial year	2,746,190	5,577,198	8,323,388

	2020	2019
	\$	\$
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	415,968	609,053
Long service leave	34,103	385,973
Other	31,444	31,444
	481,515	1,026,470
Current provisions expected to be wholly settled after 12 months		
Annual leave	578,246	432,896
Long service leave	1,551,652	1,051,808
	2,129,898	1,484,704
Total current employee provisions	2,611,413	2,511,174
Non-current		
Long service leave	239,577	235,016
Total non-current employee provisions	239,577	235,016
Aggregate carrying amount of employee provisions:		
Current	2,611,413	2,511,174
Non-current	239,577	235,016
Total aggregate carrying amount of employee provisions	2,850,990	2,746,190

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:

- discount rate	0.87%	1.16%
- index rate	1.60%	2.00%

(b) Landfill restoration

Current	1,084,402	1,000,000
Non-current	4,513,062	4,577,199
	5,597,464	5,577,199

Council is obligated to restore Violet Town landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs. Council has engaged a contractor to estimate future restoration works, this work will be completed in early part of 2020/21 financial year.

Key assumptions:

- discount rate	0.87%	1.15%
- index rate	1.25%	2.25%

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30th June 2020.

Bank overdraft	2,290,000	2,290,000
Loan facilities	368,541	504,914
Credit card facilities	100,000	100,000
Total facilities	2,758,541	2,894,914
Used facilities	(376,363)	(517,410)
Unused facilities	2,382,178	2,377,504

5.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
2020					
Operating					
Open space management	219,391	-	-	-	219,391
Governance	90,497	-	-	-	90,497
Home care services	13,992	13,609	-	-	27,601
Cleaning contracts for council buildings	44,553	44,553	122	-	89,228
Total	368,433	58,162	122	-	426,717
Capital					
Buildings	-	-	-	-	-
Roads	-	-	-	-	-
Drainage	-	-	-	-	-
Total	-	-	-	-	-
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
2019					
Operating					
Open space management	798,378	453,564	-	-	1,251,942
Governance	74,618	101,728	101,728	-	278,074
Human Resources	12,944	14,005	14,005	-	40,954
Finance	26,756	26,756	80,268	-	133,780
Total	912,696	596,053	196,001	-	1,704,750
Capital					
Bridges	216,127	-	-	-	216,127
Roads	21,226	-	-	-	21,226
Plant	277,623	-	-	-	277,623
Total	514,976	-	-	-	514,976

5.8 Leases

Policy applicable before 1 July 2019

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

Policy applicable after 1 July 2019

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

Right-of-Use Assets

	Property	Plant & Equipment	Total
	\$	\$	\$
Balance at 1 July 2019	36,822	644,775	681,597
Additions	-	390,665	390,665
Amortisation charge	(9,206)	(190,526)	(199,732)
Balance at 30 June 2020	27,616	844,914	872,530

Lease Liabilities

	2020
	\$
Maturity analysis - contractual undiscounted cash flows	
Less than one year	250,791
One to five years	690,556
More than five years	-
Total undiscounted lease liabilities as at 30 June:	941,347

Lease liabilities included in the Balance Sheet at 30 June:

Current	230,029
Non-current	652,421
Total lease liabilities	882,450

Short-term and low value leases

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020
Expenses relating to:	\$
Short-term leases	16,564
Leases of low value assets	-
Total	16,564
Variable lease payments (not included in measurement of lease liabilities)	-

i. Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying AASB 16 Leases to leases previously classified as operating leases under AASB 117

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 Provisions, Contingent Liabilities and Contingent Assets onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under AASB 117 Leases, the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 Leases immediately before that date.

Council is not required to make any adjustments on transition to AASB 16 Leases for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with AASB 16 Leases from the date of initial application.

Impact on financial statements

On transition to AASB 16 Leases, Council recognised an additional \$681,597 of right-of-use assets and \$681,597 of lease liabilities.

When measuring lease liabilities, Council discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 2.79%.

	2019
	\$
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	455,297
Discounted using the incremental borrowing rate at 1 July 2019	(66,700)
Waste Management Contract	256,177
Property Lease	36,823
Finance lease liability recognised as at 1 July 2019	681,597

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

	2020	2019
	\$	\$
Cost of acquisition	690,384	273,000
Total non current assets classified as held for sale	690,384	273,000

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Additions	Recognised First Time	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property	80,977,186	888,934	-	(19,107,070)	(985,886)	-	-	279,893	62,053,057
Plant and equipment	2,730,225	577,167	-	1,541,200	(603,970)	(162,370)	-	470,830	4,553,083
Infrastructure	206,528,180	4,385,005	6,444,635	-	(4,441,123)	(170,940)	-	282,199	213,027,957
Work in progress	1,917,030	919,868	-	-	-	-	(67,469)	(1,585,247)	1,184,182
	292,152,621	6,770,973	6,444,635	(17,565,870)	(6,030,979)	(333,310)	(67,469)	(552,324)	280,818,279

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$	\$	\$	\$	\$
Property	770,334	215,576	(20,737)	(697,277)	267,896
Plant and equipment	-	-	-	-	-
Infrastructure	1,146,696	704,292	(46,732)	(887,969)	916,286
Total	1,917,030	919,868	(67,469)	(1,585,247)	1,184,183

(a) Property

	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Cultural and heritage assets	Work In Progress	Total Property
	\$	\$	\$	\$	\$	\$	\$		\$	\$
At fair value 1 July 2019	26,501,967	5,949,601	214,065	32,665,633	78,112,004	3,305,676	81,417,680	-	770,334	114,853,647
Accumulated depreciation at 1 July 2019	-	-	-	-	(32,012,982)	(1,093,144)	(33,106,127)	-	-	(33,106,127)
	26,501,967	5,949,601	214,065	32,665,633	46,099,021	2,212,532	48,311,553	-	770,334	81,747,521
Movements in fair value										
Additions	-	-	-	-	888,934	-	888,934	-	215,576	1,104,510
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(16,157,438)	-	(16,157,438)	1,062,032	-	(15,095,406)
Reclassification	-	-	-	-	(2,541,860)	-	(2,541,860)	1,236,868	(126,467)	(1,431,459)
Write-off	-	-	-	-	-	-	-	-	(20,737)	(20,737)
Transfers	(329,560)	(87,824)	-	(417,384)	570,810	-	570,810	-	(570,810)	(417,384)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	(329,560)	(87,824)	-	(417,384)	(17,239,553)	-	(17,239,553)	2,298,900	(502,438)	(15,860,476)
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	-	(985,886)	-	(985,886)	-	-	(985,886)
Reclassification	-	-	-	-	1,304,992	-	1,304,992	-	-	1,304,992
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(4,011,664)	-	(4,011,664)	-	-	(4,011,664)
Transfers	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(3,692,558)	-	(3,692,558)	-	-	(3,692,558)
At fair value 30 June 2020	26,172,407	5,861,777	214,065	32,248,249	60,872,450	3,305,676	64,178,127	2,298,900	267,896	98,993,172
Accumulated depreciation at 30 June 2020	-	-	-	-	(35,705,541)	(1,093,144)	(36,798,685)	-	-	(36,798,685)
	26,172,407	5,861,777	214,065	32,248,249	25,166,910	2,212,532	27,379,442	2,298,900	267,896	62,194,487

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecom.	Cultural and heritage assets - Arts & Monuments	Work In Progress	Total plant and equipment
	\$	\$	\$	\$	\$	\$
At fair value 1 July 2019	6,026,004	3,619,380	-	-	-	9,645,385
Accumulated depreciation at 1 July 2019	(4,004,107)	(2,911,052)	-	-	-	(6,915,159)
	2,021,897	708,328	-	-	-	2,730,226
Movements in fair value						
Additions	353,183	223,985	-	-	-	577,167
Contributions	-	-	-	-	-	-
Revaluation	-	-	-	1,541,200	-	1,541,200
Disposal	(646,219)	-	-	-	-	(646,219)
Reclassification	-	-	-	-	-	-
Transfers	(888,419)	-	-	605,750	-	(282,669)
Impairment losses recognised in operating result	-	-	-	-	-	-
	(1,181,455)	223,985	-	2,146,950	-	1,189,479
Movements in accumulated depreciation						
Depreciation and amortisation	(382,357)	(221,613)	-	-	-	(603,970)
Accumulated depreciation of disposals	483,849	-	-	-	-	483,849
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	753,499	-	-	-	-	753,499
	854,991	(221,613)	-	-	-	633,378
At fair value 30 June 2020	4,844,549	3,843,365	-	2,146,950	-	10,834,864
Accumulated depreciation at 30 June 2020	(3,149,116)	(3,132,665)	-	-	-	(6,281,781)
	1,695,434	710,700	-	2,146,950	-	4,553,083

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Kerb and channel	Waste Management	Parks open spaces and streetscapes	Cultural and heritage assets	Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2019	192,816,075	68,491,772	4,583,075	15,882,463	6,597,927	-	6,808,835	605,750	1,146,696	296,932,593
Accumulated depreciation at 1 July 2019	(54,959,396)	(22,477,994)	(1,348,160)	(4,277,721)	(2,529,333)	-	(3,665,112)	-	-	(89,257,715)
	137,856,680	46,013,778	3,234,915	11,604,742	4,068,594	-	3,143,723	605,750	1,146,696	207,674,878
Movements in fair value										
Additions	2,514,867	206,434	317,817	132,183	-	-	1,213,703	-	704,292	5,089,297
Reclassification	-	(5,918,395)	-	-	-	-	-	2,288,263	126,467	(3,503,665)
Revaluation	-	-	-	-	-	-	-	-	-	-
Disposal	-	(388,500)	-	-	-	-	-	-	-	(388,500)
Recognised First Time	-	-	-	-	-	-	13,696,800	-	-	13,696,800
Write-off	-	-	-	-	-	-	-	-	(46,732)	(46,732)
Transfers	-	352,118	5,327	363,443	-	-	293,549	(605,750)	(1,014,436)	(605,750)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	2,514,867	(5,748,343)	323,144	495,626	-	-	15,204,052	1,682,513	(230,409)	14,241,450
Movements in accumulated depreciation										
Depreciation and amortisation	(2,941,405)	(637,039)	(97,324)	(155,386)	(109,459)	-	(500,510)	-	-	(4,441,123)
Accumulated depreciation of disposals	-	217,560	-	-	-	-	-	-	-	217,560
Recognised First Time	-	-	-	-	-	-	(7,252,165)	-	-	(7,252,165)
Reclassification	-	3,630,132	-	-	-	-	-	-	-	3,630,132
Transfers	-	-	-	-	-	-	-	-	-	-
	(2,941,405)	3,210,653	(97,324)	(155,386)	(109,459)	-	(7,752,675)	-	-	(7,845,596)
At fair value 30 June 2020	195,330,942	62,743,429	4,906,219	16,378,089	6,597,927	-	22,012,886	2,288,263	916,286	311,174,042
Accumulated depreciation at 30 June 2020	(57,900,801)	(19,267,341)	(1,445,484)	(4,433,107)	(2,638,792)	-	(11,417,787)	-	-	(97,103,311)
	137,430,142	43,476,088	3,460,735	11,944,983	3,959,135	-	10,595,099	2,288,263	916,286	214,070,732

Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition. Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

	Depreciation Period	Threshold Limit
Asset recognition thresholds and depreciation periods		\$
Property		
land	-	10,000
Buildings		
buildings	10 to 100 years	5,000
Plant and Equipment		
plant, machinery and equipment	2 to 20 years	1,000
furniture and equipment	2 to 10 years	1,000
leased plant and equipment including right of use assets	3 to 5 years	5,000
Infrastructure		
road pavements - sealed	40 to 130 years	5,000
road pavements - unsealed	25 to 40 years	5,000
road seals	18 to 40 years	5,000
formation and earthworks	100 years	5,000
bridges deck	50 to 120 years	5,000
bridges substructure	60 to 250 years	5,000
culverts	60 to 250 years	5,000
footpaths	10 to 60 years	5,000
drainage	100 years	5,000
parks open spaces and streetscapes	15 to 100 years	5,000
kerb and channel	50 to 100 years	5,000
cultural and heritage assets	-	5,000

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed above and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, there are no leasehold improvements.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Liquid Pacific. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table. A full revaluation of these assets has been conducted in 2019/20.

Land and building asset values are not expected to be materially impacted by COVID-19 as at 30 June 2020. A formal revaluation was undertaken for buildings and structures during in June 2020.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Land	-	5,861,777	-	Jun-18
Specialised land	-	-	26,172,407	Jun-18
Land uner roads	-	-	214,065	Jun-18
Heritage Buildings	-	-	2,298,900	Jun-20
Buildings & site improvements	-	8,392,275	18,987,167	Jun-20
Total	-	14,254,052	47,672,539	

Valuation of infrastructure

The valuation is at fair value as at 30 June 2019 plus all 2019/20 additions at cost and is based on replacement cost less accumulated depreciation as at the date of valuation. The base valuation of infrastructure assets conducted at 30 June 2019 was made by Uwe Paffrath, Certified Municipal Engineer.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

Cultural and Heritage Assets - Infrastructure

Two bridges that were recorded under Bridges in previous years were reclassified as 'Cultural and Heritage Assets' during 2019/20. The Council has not undertaken a revaluation of these bridges during 2019/20. Instead, the written down value of \$2,288,263 as of 1st July 2019 was transferred to 'Cultural and Heritage Assets'.

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	137,430,142	Jun-19
Bridges	-	-	43,476,088	Jun-19
Footpaths and cycleways	-	-	3,460,735	Jun-19
Drainage	-	-	11,944,983	Jun-19
Kerb and channel	-	-	3,959,135	Jun-19
Waste management	-	-	-	Jun-19
Parks, open space and streetscapes	-	-	10,595,099	Jun-19
Total	-	-	210,866,182	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 85% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.48 and \$565 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$200 to \$7,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 18 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020	2019
	\$	\$
Reconciliation of specialised land		
Parks and reserves	19,287,996	19,287,996
Waste management	937,303	937,303
Civic centres	2,448,870	2,448,870
Council depts	673,883	1,003,443
Caravan parks	2,086,281	2,086,281
Pre schools	399,599	399,599
Saleyards	338,475	338,475
Total specialised land	26,172,407	26,501,967

	2020 \$	2019 \$
6.3 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
- Goulburn Valley Regional Library Corporation	227,146	218,432

Background

The Goulburn Valley Regional Library Corporation was formed under the provisions of section 196 of the Local Government Act 1989 on 15/09/2009 to provide library services within the local government area of Strathbogie Shire, Moira Shire and City of Greater Shepparton. Council holds 9.86% (2018/19 9.89%) of equity in the Corporation. Council has two directors on the board of nine. Council has the ability to influence rather than control its operations.

Fair value of Council's investment in Goulburn Valley Library	227,146	218,432
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus(deficit) at start of year	218,432	235,987
Reported surplus(deficit) for year	8,714	(17,555)
Transfers (to) from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus(deficit) at end of year	227,146	218,432
Council's share of reserves		
Council's share of reserves at start of year	-	-
Transfers (to) from reserves	-	-
Council's share of reserves at end of year	-	-
Movement in carrying value of specific investment		
Carrying value of investment at start of year	218,432	235,987
Share of surplus(deficit) for year	8,714	(17,555)
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	227,146	218,432

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

Avenel Memorial Hall
Creighton's Creek Recreation Reserve
Euroa Band Hall
Euroa Friendlies Reserve
Gooram Soldiers' Memorial Hall
Longwood Community Centre
Miepoll Public Hall
Moglonemby Hall
Nagambie Recreation Reserve
Ruffy Recreation Reserve
Strathbogie Memorial Hall
Strathbogie Recreation Reserve
Tableland Community Centre Committee (Ruffy)
Violet Town Recreation Reserve

Note 7 People and relationships	2020 No.	2019 No.
7.1 Council and key management remuneration		
(a) Related Parties		
Parent entity		
Strathbogie Shire Council is the parent entity.		
Subsidiaries and Associates		
Interests in subsidiaries and associates are detailed in Note 6.3.		
(b) Key Management Personnel		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Cr Amanda McClaren (Mayor)		
Cr John Mason		
Cr Malcolm Little		
Cr Kate Stothers (01/07/19 to 6/12/19)		
Cr Debra Bower (01/07/19 to 31/12/19)		
Cr Alistair Thomson		
Cr Graeme (Mick) Williams		
Cr Robert 'Bob' Gardner (from 28/01/20)		
Cr Chris Raeburn (from 31/03/20)		
Chief Executive Officer (from 13/01/2020)		
Group Manager Community Assets (01/07/2019 to 07/02/2020)		
Acting Group Manager Innovation & Performance (10/07/2019 to 13/01/2020)		
Director - Community & Planning		
Director - Corporate Operations		
Executive Manager People & Culture (from 20/04/2020)		
Executive Manager Governance & Customer Service (from 20/04/2020)		
Executive Manager Communications and Engagement (from 04/05/2020)		
Total Number of Councillors	9	7
Total of Chief Executive Officer and other Key Management Personnel	8	4
Total Number of Key Management Personnel	17	11
(c) Remuneration of Key Management Personnel	2020	2019
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,071,634	991,113
Long-term benefits	92,910	16,635
Post employment benefits	68,187	83,002
Total	1,232,731	1,090,750
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:	2020 No.	2019 No.
\$1 - \$9,999	3	
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	5	6
\$30,000 - \$39,999	1	-
\$60,000 - \$69,999	1	1
\$80,000 - \$89,999	1	-
\$100,000 - \$109,999	2	-
\$160,000 - \$169,999	-	1
\$180,000 - \$189,999	1	1
\$210,000 - \$219,999	1	
\$230,000 - \$239,999	-	1
\$280,000 - \$289,999	1	-
\$320,000 - \$329,999	-	1
	17	11

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

The number of Senior Officers are shown below in their relevant income bands:

	2020	2019
Income Range:	No.	No.
\$150,000 - \$159,999	-	3
\$170,000 - \$179,999	3	1
	<u>3</u>	<u>4</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to:	527,879	630,870
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7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties on normal council terms and conditions.

47,940

Councillor Graeme (Mick) Williams's son is employed by the Council as a full time employee.

There was a transaction between North Eastern Trenching for \$30,043 and the Council during the financial year. The proprietor of North Eastern Trenching is a related party to councillor Graeme (Mick) Williams.

There were transactions between Avenel Action Group for \$12,210 and the Council during the financial year. This group is a related party to councillor Amanda McClaren.

There were transactions between Rod Weld Engineering for \$5,291 and the Council during the financial year. This is a related party to acting Group Manager Innovation & Performance.

There was a transaction between Brayd Consulting for \$396 and the Council during the financial year. The proprietor is a related party to Executive Manager Governance and Customer Service.

(b) Outstanding balances with related parties

There are no outstanding at the end of the reporting period in relation to transactions with related parties

(c) Loans to/from related parties

There are no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.

(d) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

Council has a commitment to pay Goulburn Valley Regional Library Corporation a contribution of \$272,780 during the 2020/21 financial year.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent liabilities

Superannuation

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Future superannuation contributions

In addition to the disclosed contributions, Strathbogie Shire Council has paid no unfunded liability payments to Vision Super during the 2019/20 year (2018/19 \$0). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$0.

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Insurance claims

There are no any major insurance claims that could have a material impact on future operations.

Legal matters

There are no any major legal matters that could have a material impact on future operations.

Building cladding

Council does not exposed to any potential contingents that may exist in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

MAV Workcare

Council is a participant of the MAV WorkCare Scheme. The MAV WorkCare scheme provides workers compensation insurance. The MAV WorkCare Scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years

(b) Guarantees for loans to other entities

Council does not have any financial guarantees.

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)

The Standard principally amends *AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

8.3 Financial instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- council have a policy for establishing credit limits for the entities council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 0.25% and - 0.25% in market interest rates (AUD) from year-end rates of 0.7%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

8.4 Fair value measurement

Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

8.5 Events occurring after balance date

On 2 August 2020 the Victorian State Government in response to COVID-19 imposed stage 3 restrictions on regional Victoria from Thursday 6 August 2020. No adjustments to balances are required as at 30 June 2020.

All receivables and payables balances along with actual impacts on revenue and expenses and asset values are not expected to be further impacted by the announcement. Disclosures regarding COVID-19 have been made in the relevant notes to the statements.

In light the conditions prevailed in the country council adopted budget (adopted on 14th July 2020) suggested zero percent increase in rates for 2020/21 financial year.

Note 9 Other matters

9.1 Reserves

(a) Asset revaluation reserves

2020

Property

Land and land improvements

Buildings

Plant and Equipment

Cultural and heritage assets

Infrastructure

Roads

Bridges

Footpaths and cycleways

Drainage

Parks, open space and streetscapes

Kerb and Channel

Other infrastructure

Total asset revaluation reserves

2019

Property

Land and land improvements

Buildings

Infrastructure

Roads

Bridges

Footpaths and cycleways

Drainage

Recreational, leisure and community facilities

Waste management

Parks, open space and streetscapes

Kerb and Channel

Offstreet car parks

Other infrastructure

Total asset revaluation reserves

	Balance at beginning of reporting period \$	Increment (decrement) \$	Balance at end of reporting period \$
2020			
Property			
Land and land improvements	27,268,863	-	27,268,863
Buildings	46,180,386	(19,107,070)	27,073,316
	73,449,248	(19,107,070)	54,342,179
Plant and Equipment			
Cultural and heritage assets	-	1,541,200	1,541,200
Infrastructure			
Roads	89,369,647	-	89,369,647
Bridges	30,085,240	-	30,085,240
Footpaths and cycleways	1,600,498	-	1,600,498
Drainage	4,026,118	-	4,026,118
Parks, open space and streetscapes	-	6,444,635	6,444,635
Kerb and Channel	2,954,641	-	2,954,641
Other infrastructure	17,093	-	17,093
	128,053,237	6,444,635	134,497,872
Total asset revaluation reserves	201,502,485	(11,121,235)	190,381,250
2019			
Property			
Land and land improvements	24,645,565	2,623,298	27,268,863
Buildings	41,803,908	4,376,478	46,180,386
	66,449,473	6,999,775	73,449,248
Infrastructure			
Roads	94,515,772	(5,146,125)	89,369,647
Bridges	34,595,573	(4,510,333)	30,085,240
Footpaths and cycleways	1,600,498	-	1,600,498
Drainage	4,026,118	-	4,026,118
Recreational, leisure and community facilities	-	-	-
Waste management	-	-	-
Parks, open space and streetscapes	-	-	-
Kerb and Channel	2,954,641	-	2,954,641
Offstreet car parks	-	-	-
Other infrastructure	16,205	888	17,093
	137,708,807	(9,655,570)	128,053,237
Total asset revaluation reserves	204,158,280	(2,655,795)	201,502,485

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

(b) Other reserves

2020

Bridge replacement reserve

Open space reserve

Total Other reserves

2019

Bridge replacement reserve

Open space reserve

Total Other reserves

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
2020				
Bridge replacement reserve	750,000	-	-	750,000
Open space reserve	108,958	-	-	108,958
Total Other reserves	858,958	-	-	858,958
2019				
Bridge replacement reserve	750,000	-	-	750,000
Open space reserve	108,958	-	-	108,958
Total Other reserves	858,958	-	-	858,958

	2020 \$	2019 \$
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	4,863,476	6,398,908
Depreciation/amortisation	6,290,556	5,929,723
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(99,764)	(72,133)
Written down value of infrastructure assets replaced	170,940	512,024
Contributions - Non-monetary assets	-	(748,380)
Borrowing costs/Finance Cost	47,250	36,015
Share of net profits of associates	(8,714)	17,555
Other	67,490	-
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	440,555	(1,382,320)
Trust funds and other deposits repaid	(304,013)	873,666
(Increase)/decrease in prepayments	(16,713)	91,768
Increase/(decrease) in accrued income	784,221	(1,112,076)
Increase/(decrease) in trade and other payables	(934,717)	(282,443)
(Decrease)/increase in other liabilities	1,441,712	-
(Increase)/decrease in inventories	8,519	(7,592)
Increase/(decrease) in provisions	125,065	(288,482)
Net cash provided by/(used in) operating activities	12,875,863	9,966,233

9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive Operating Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa

Salary information 3.5% pa

Price inflation (CPI) 2.0% pa.

Vision Super has advised that the actual VBI at 30th June 2020 was 104.6%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and reviewed as part of the 30 June 2020 triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including the Strathbogie Shire Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2019 \$m	2017 \$m
- A VBI Surplus	151.3	69.8
- A total service liability surplus	233.4	193.5
- A discounted accrued benefits surplus	256.7	228.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

The 2020 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020 Triennial investigation	2017 Triennial investigation
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.50% pa for the first two years and 2.75%pa thereafter	3.5% pa
Price inflation	2.0% pa	2.5% pa

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate	2020 \$	2019 \$
Vision super	Defined benefit	9.50%	61,144	74,084
Vision super	Accumulation fund	9.50%	422,704	377,456
Other funds	Accumulation fund	9.50%	326,921	354,787

Council hasn't paid any unfunded liability payments to Vision Super in 2019/20 or 2018/19. Council does not expect to pay to the Defined Benefit category of Vision Super for the year ending 30 June 2021.

10 Change in accounting policy

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption

AASB 15 Revenue from Contracts with Customers applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

AASB 15 Revenue from Contracts with Customers requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

b) AASB 16 Leases

AASB 16 Leases requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Statement of Comprehensive Income is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

c) AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

AASB 1058 Income of Not-for-Profit Entities requires income to be recognised as Council satisfies the performance obligations under the contract.